DEFENSE LOGISTICS AGENCY

CUSTOMER SUPPORT REPRESENTATIVE CONFERENCE

August 23, 2004

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Discussion Framework

- ✓ DLA Top Five Priorities
- DLA Business
- Transformation
- The CSR Role
- Summary

Top Five Priorities

- Support to the Warfighter
- Agency Transformation
  - Business Systems Modernization (BSM)
  - Customer Relationship Management (CRM)
- Corporate Climate
- “New Normal” Requirements Determination
- Distribution Process Owner (DPO) Partnership

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The DLA Enterprise

FY 02 Sales/Services: $21.5B
FY 03 Sales/Services: $25B
FY 04 Projection: $28.9B

- **Energy: $ 5.2B**
- **Distribution: $ 2.2B**
- **Other: $ 1.4B**

Foreign Military Sales

- **Sales: $719M**
- **Shipments: 580K**
- **Supporting 124 Nations**

Scope of Business

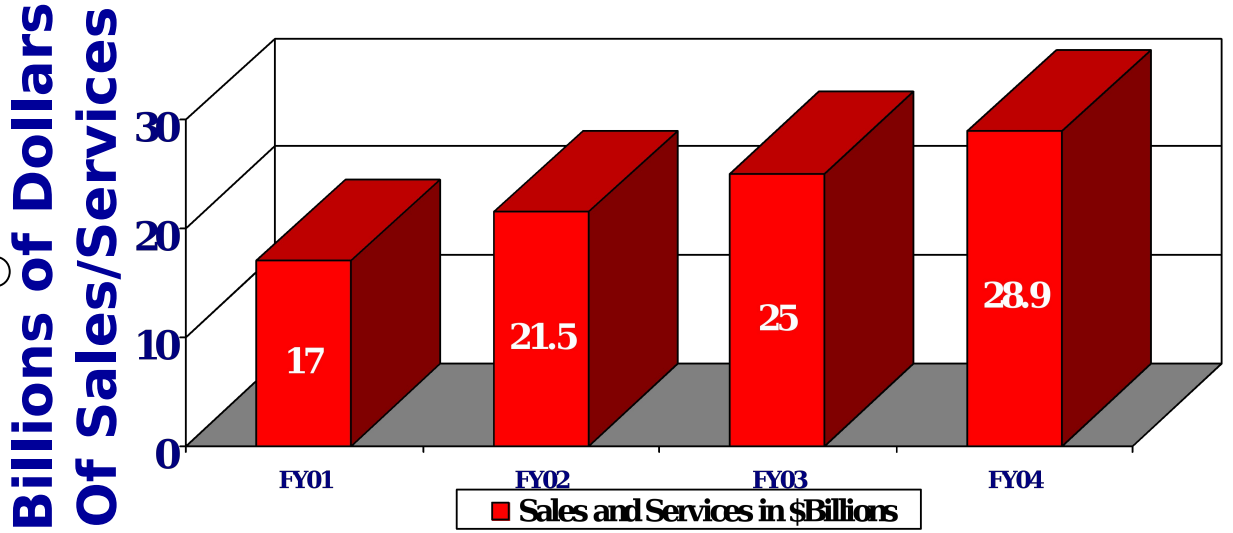
- **45,000 Requisitions/Day**
- **8,200 Contracts/Day**
- **#54 Fortune 500 – Above Northrop Gr**
- **#2 in Top 50 Distribution Warehous**
- **23 Distribution Depots**
- **5.2 Million Items**
- **24.7M Annual Receipts and Issues**
- **1411 Weapon Systems Supported**
- **147.7M Barrels Fuel Sold (FY 03)**
- **$12.5B Annual Reutilizations/Dispos**

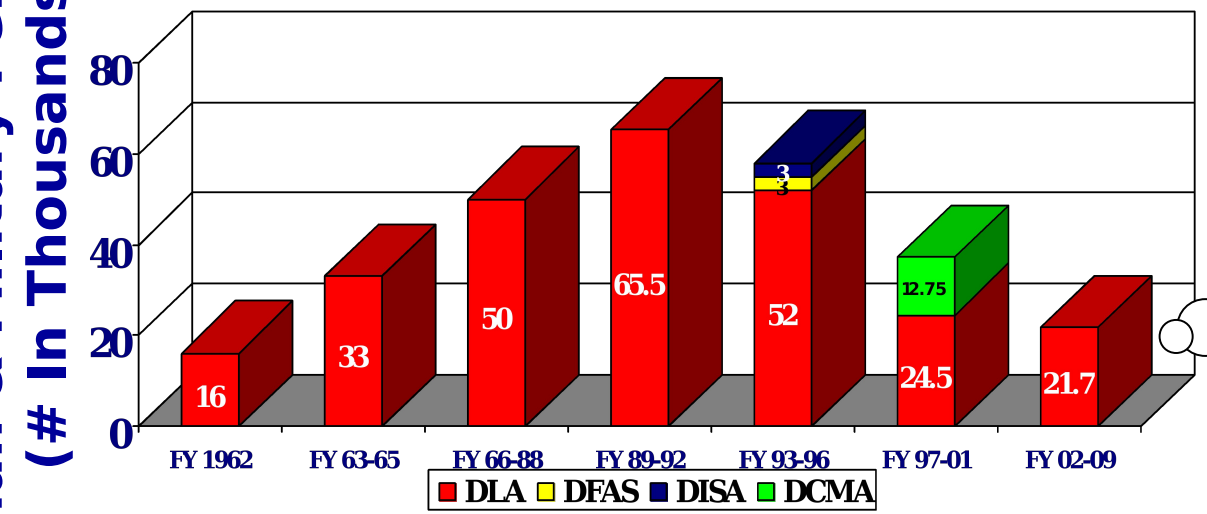
People

- **21,490 Civilians**
- **513 Active Duty Military**
- **637 Reserve Military**
- **Located in 48 States/28 Countries**

DLA Transition… …Leaner…More Productive

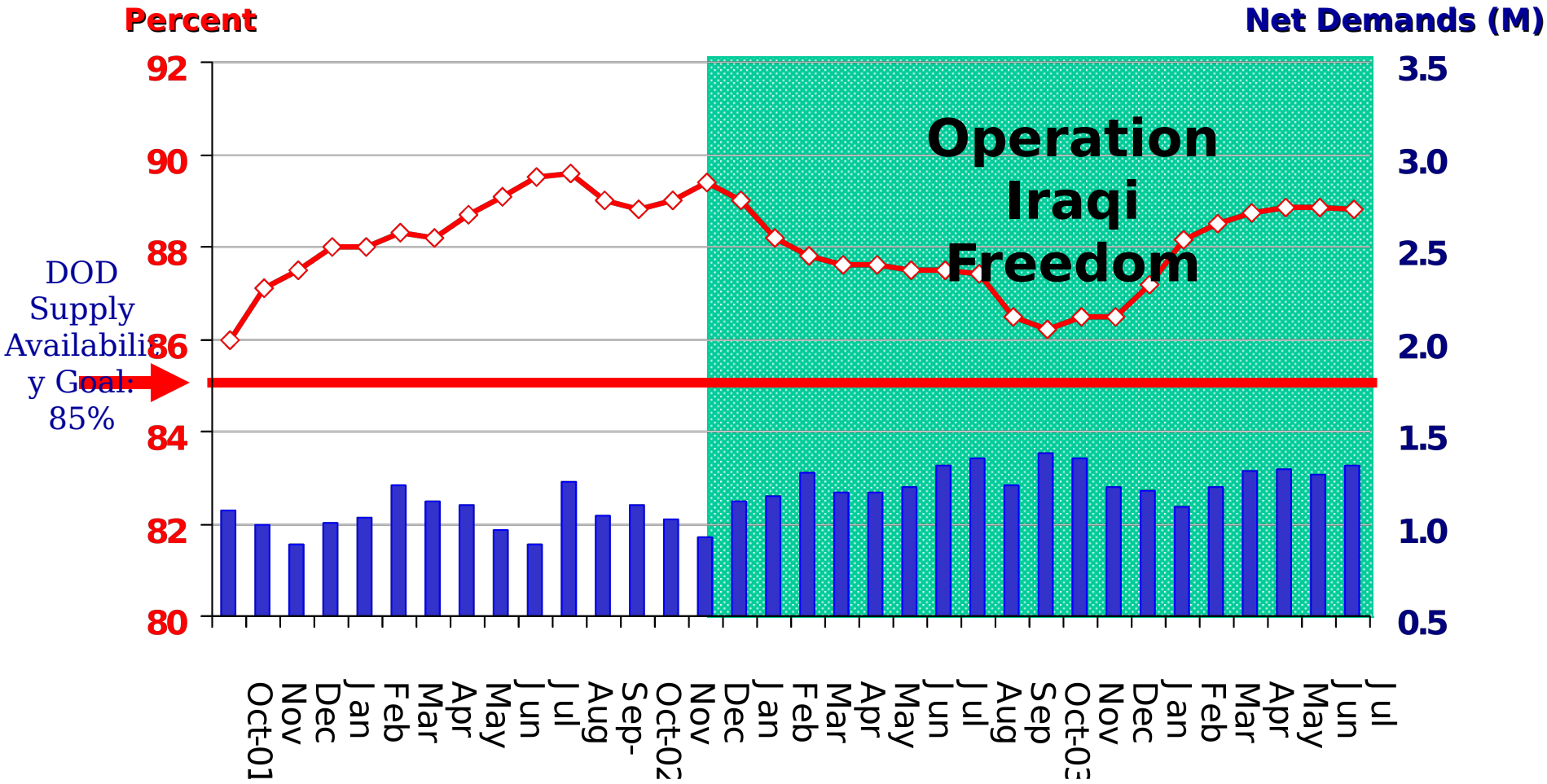
*From '01-'04, Sales and Services grew by **70%…***



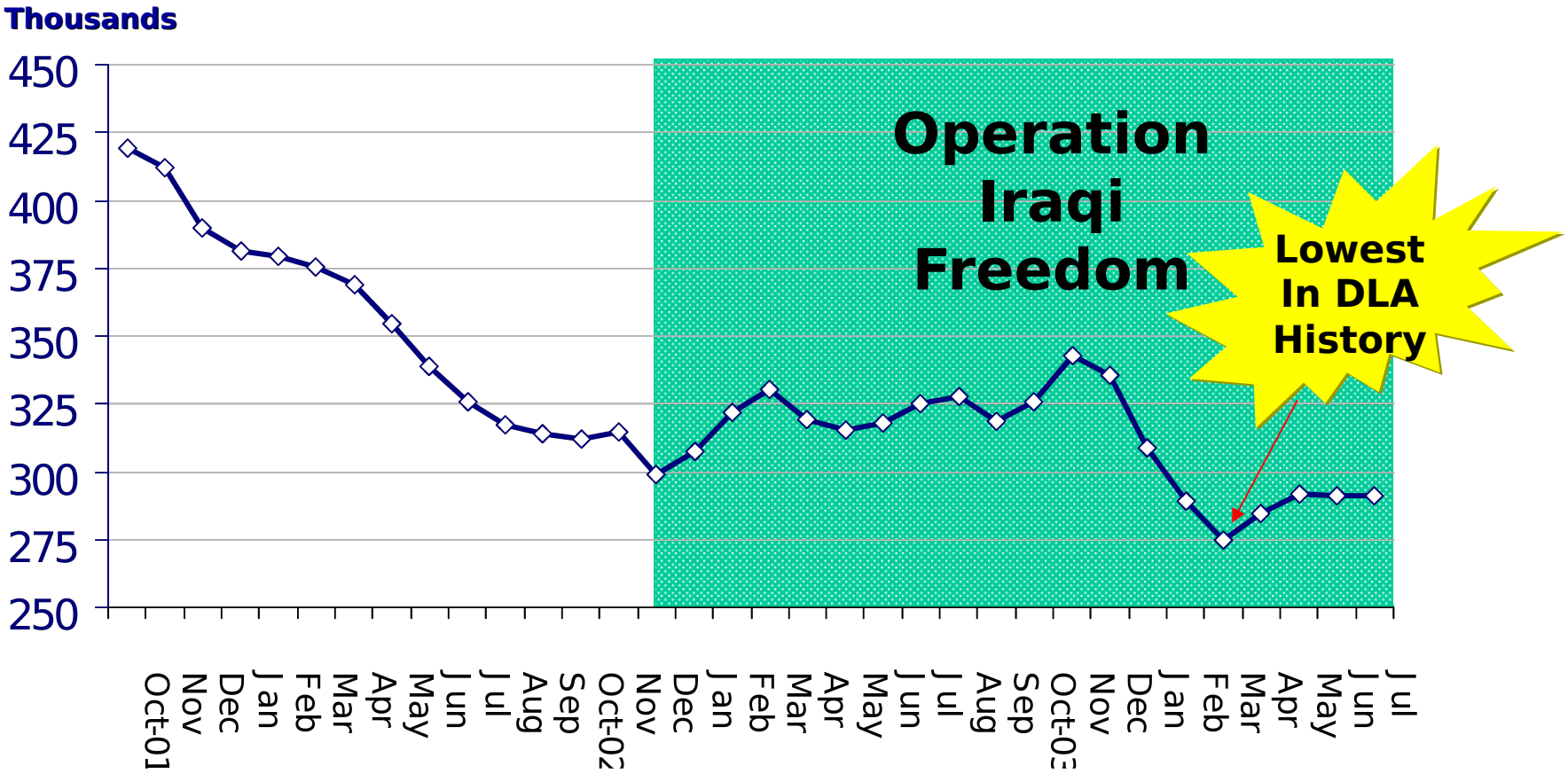


*…while personnel levels fell to their **lowest since 1963** … 12% below DPG*

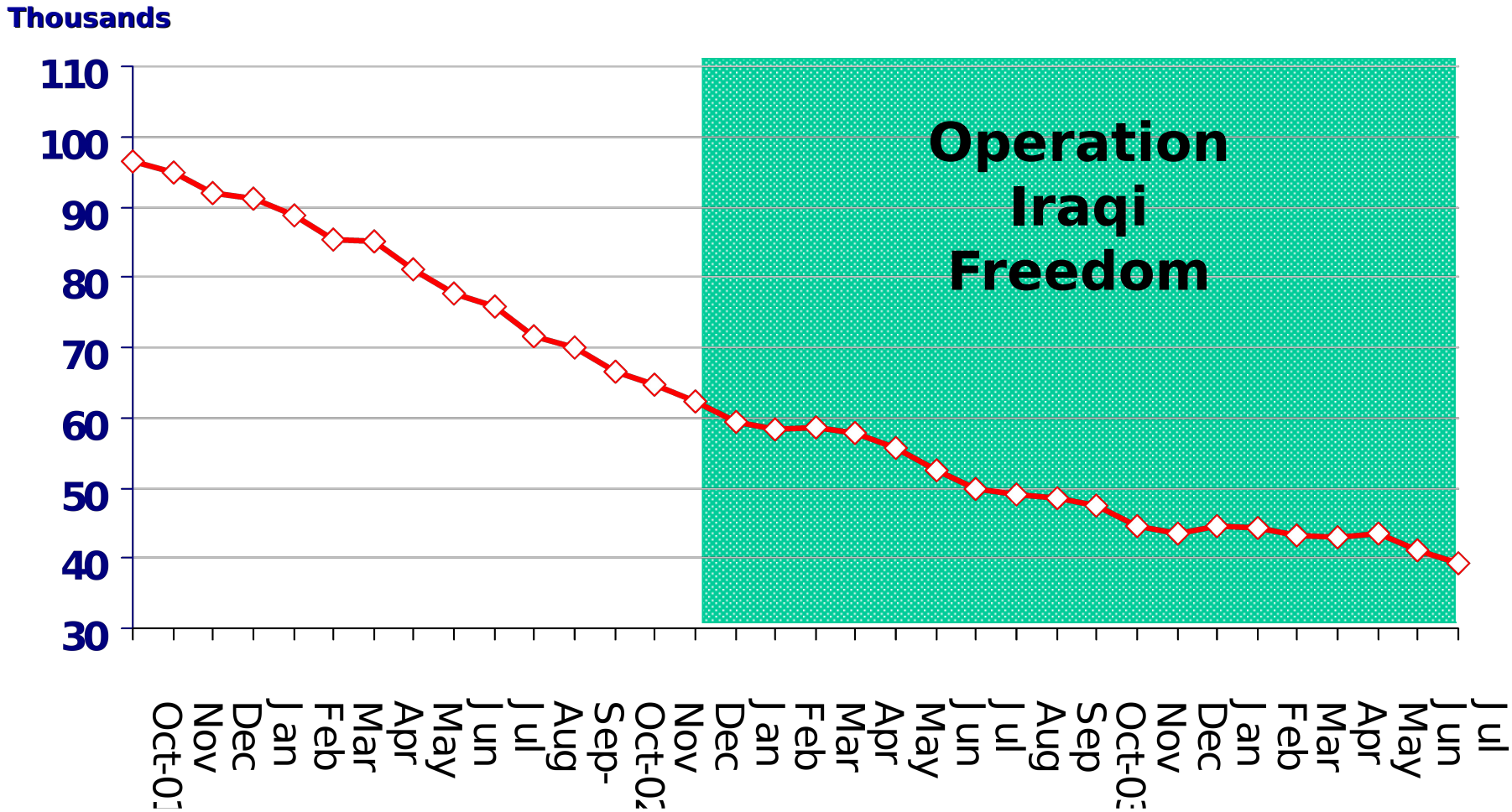
Supply Availability Hardware Items



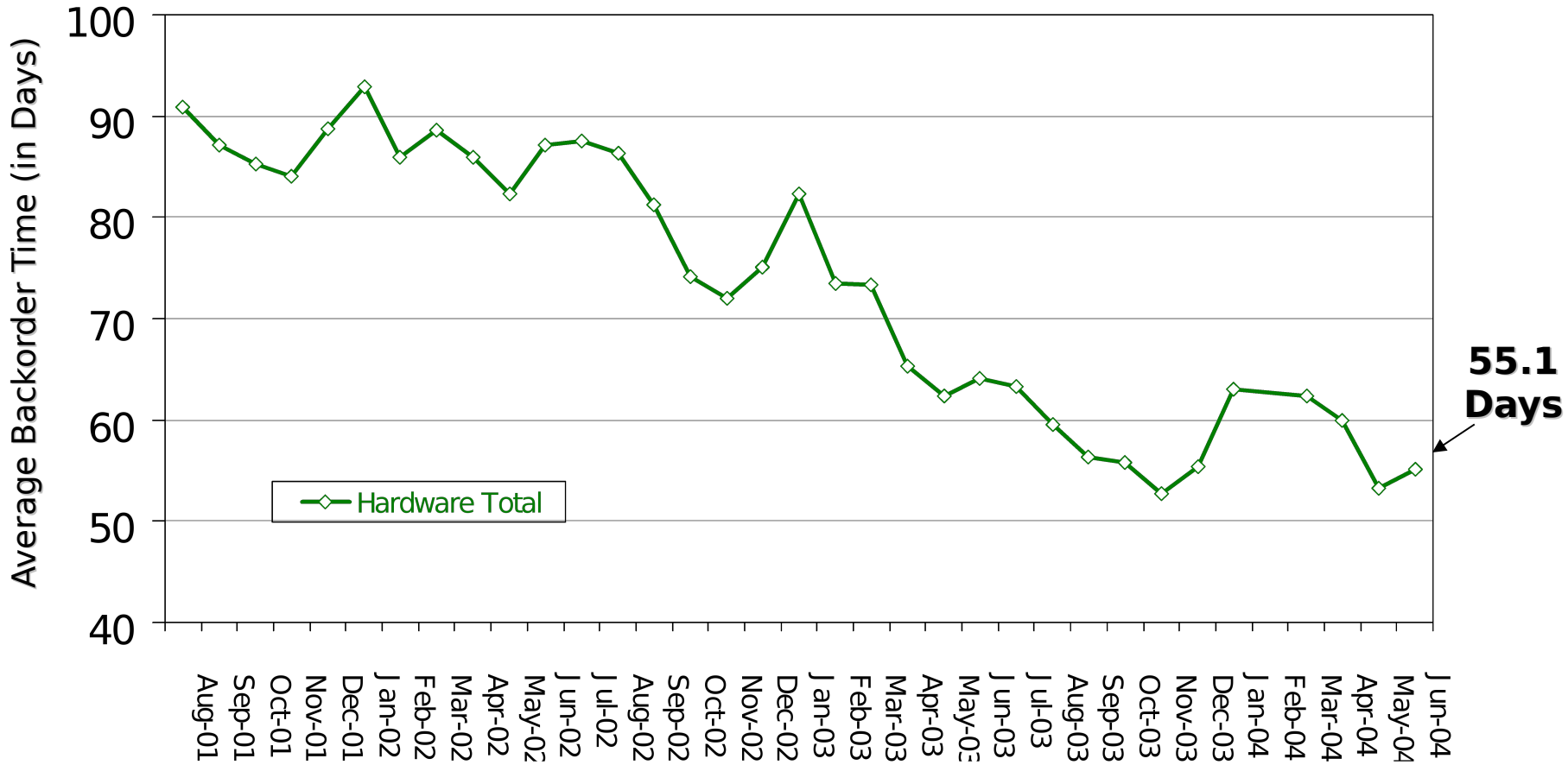
Backorders – Hardware



Backorders > 180 Days Hardware

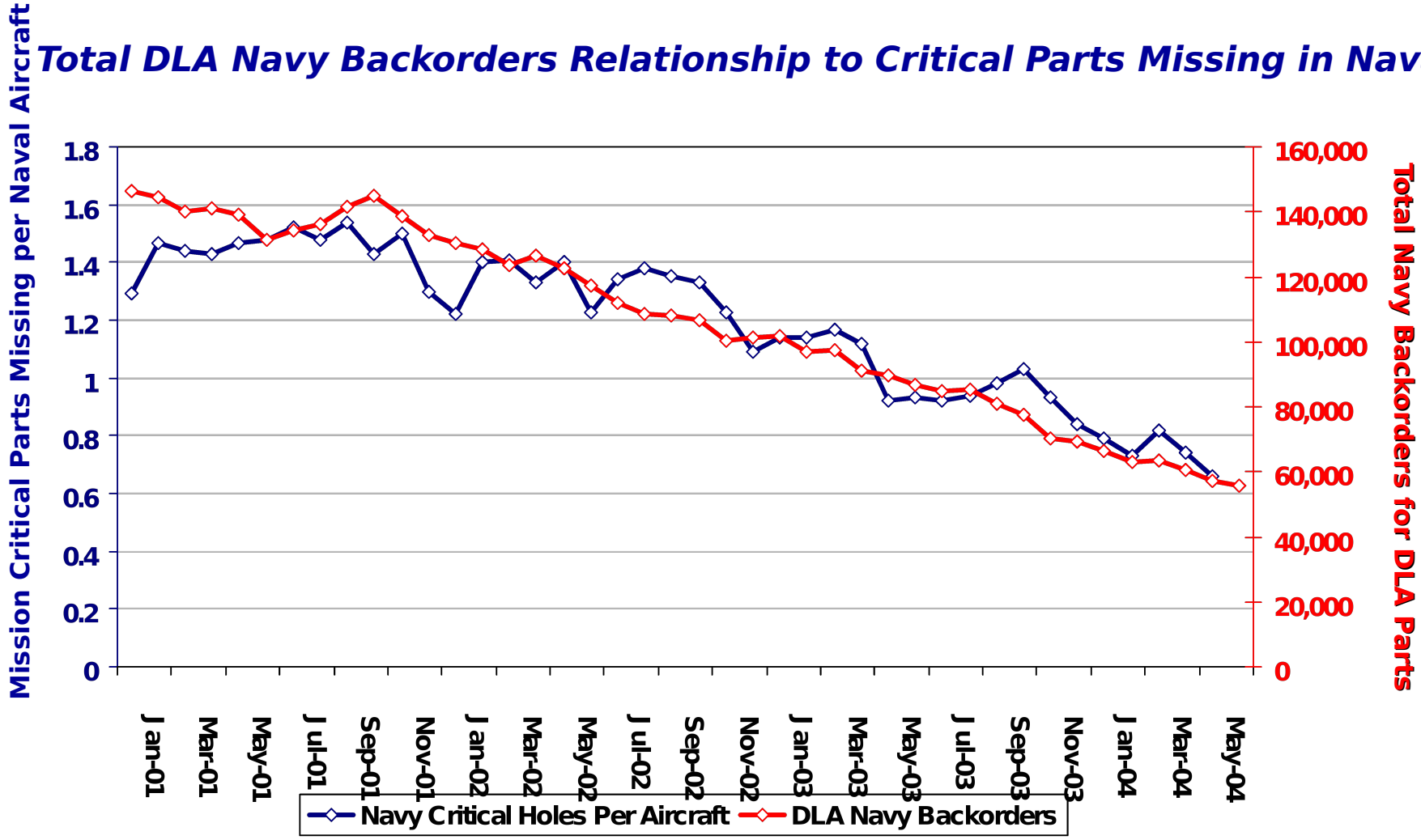


Improving Performance Backorder Delay Time Reductions



Link to Navy Readiness

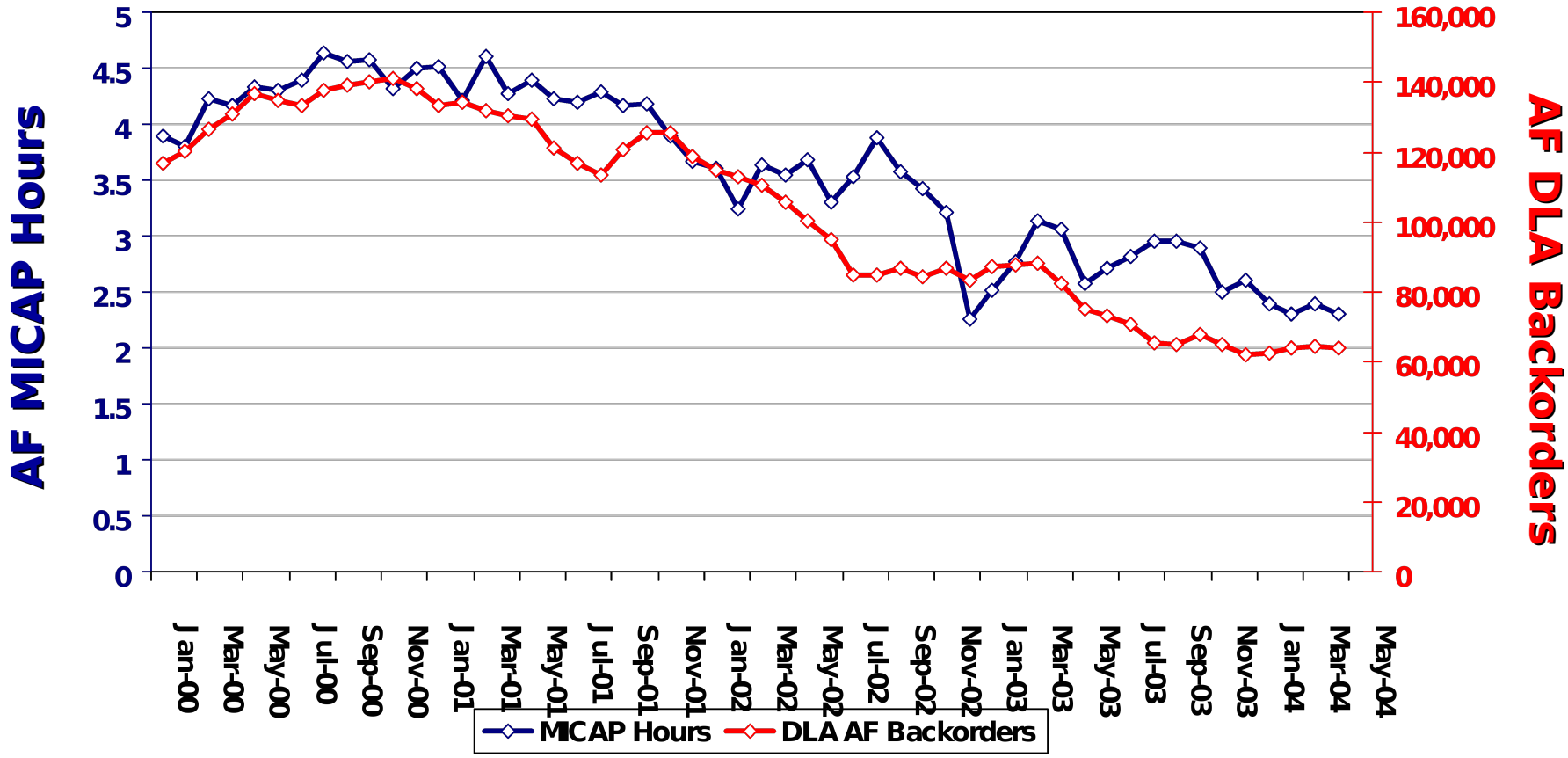
Total DLA Navy Backorders Relationship to Critical Parts Missing in Naval A



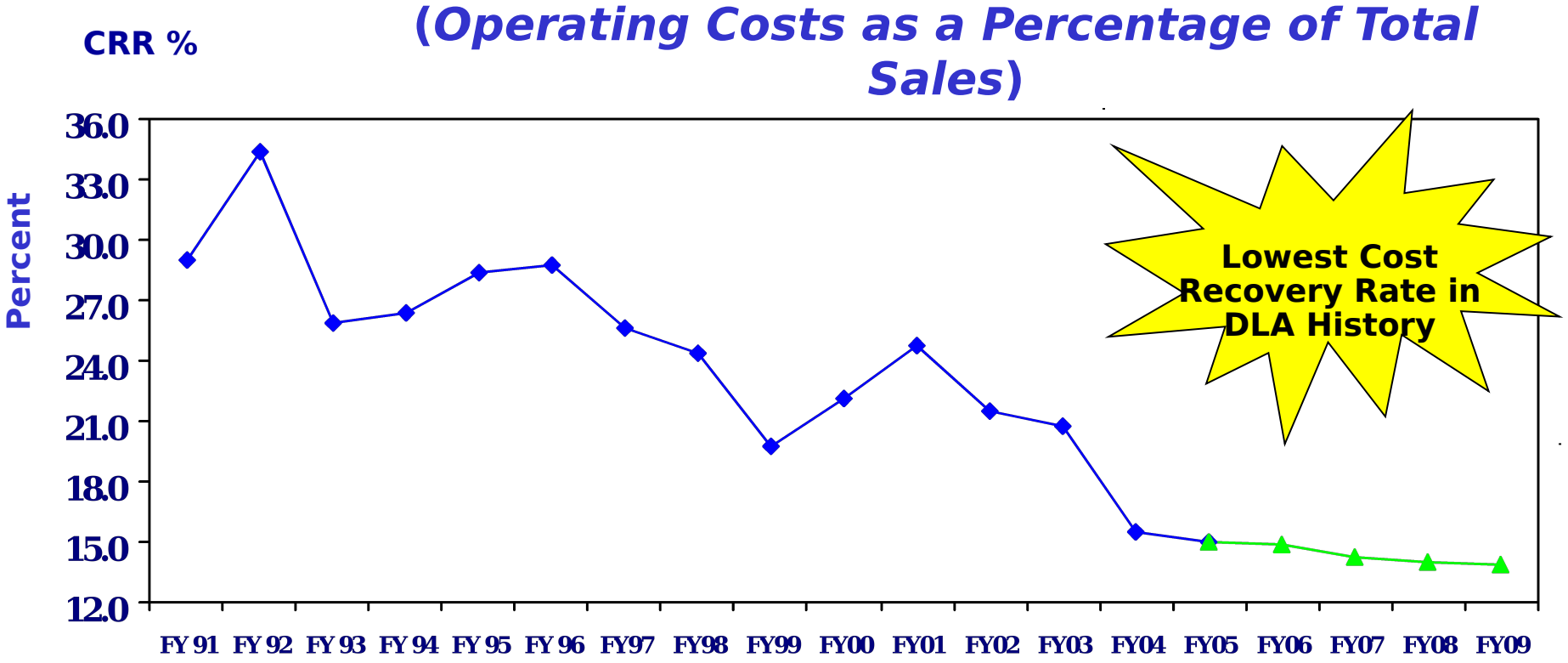
Data Source for Holes in Aircraft: Center for Naval Analysis (CNA) – POC Mr. Craig Goodwyn * A critical part is defined as a part causing a NMC or PMC aircraft

Link to Air Force Readiness

DLA Air Force Weapons System Backorders Relationship to Air Force MICAP



Cost Recovery Rates Over Time



Savings Returned to Warfighter

How We Did It

- More stable financing
  - Reduced volatility in workload
- Better collaboration with customers and suppliers
  - Improved forecasting and delivery
- More long-term contracts with suppliers
- Increased reliance on highly automated strategic distribution centers
- Shorter administrative lead times through process improvements
  - Shifting from manual to automated buying procedures
- A-76 process for non-inherently governmental positions
  - MEO or contractor levels of support

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What We Are Doing… Transformation Strategy

- **Fundamentally Changing Our Business Model to Dramatically Increase Support to the Warfighter**
  - **Redefining our Link to the Customer**
  - **Becoming a Seamless Partner in the Overall Supply Chain**
  - **Integrating Supply Chains to Meet Future Materiel Requirements**
- **10 Major Transformational Initiatives**
- **$1 Billion+ Investment Committed**

The Transformation Roadmap

Business Systems

National Inventory Management Strategy

Dynamic Materiel Positioning

Forward Positioning

Customer Relationship Mgmt

Executive Agent: fuels-subsistence

Supplier Relationship Mgmt

Work Force Transformation

Integrated Data Environment

Fuels Automated System

Plus

A-76

&

BRAC 2005

199 → 200

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CSR Role

- **Primary customer interface…DLA's eyes, ears, and face**
  - **Promote DLA's products, services and performance**
  - **Remember: Your actions are a direct reflection of the Agency**
- **Become an integral member of your customer's team**
  - **Determine customer requirements and follow through on delivery**
  - **Identify customer issues and work solutions through the enterprise**
- **Provide feedback**

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Summary

- **70% sales growth in three years**
- **Performance**
  - Supply Material Availability – historical highs
  - Backorders – historical lows and filling faster
  - Cost Recovery Rate – historical low & dropping
- **Smallest work force since 1963**
- **Transformation underway**
  - Processes re-engineered
  - ERP supporting the mission
  - Real time information management & right metrics in place
  - Organization realigning to new business model
  - Work Force transformation
- **CSR's: Critical to Continued Success**